

NEW CASTLE PRESBYTERY

Employment & Compensation

STANDARDS AND GUIDELINES

DRAFT 2021 DRAFT



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A GUIDE FOR COMPENSATION OF MINISTERS

A FAITHFUL VIEW OF COMPENSATION

There are broad scriptural allusions to compensation for church workers which at the very least indicate that this issue is an important one for the Church. We know that a special tithe was to be set aside for the care and support of the Levites and priests (Numbers 18:24-28). And we know that the Apostle Paul indicated that a minister should be adequately remunerated for ministerial service (I Corinthians 9:14, Galatians 6:6).

Nevertheless, such guidance as might be gleaned from either scripture or the theology of the Church is at best preliminary. Presbytery must determine compensation guidelines which are fair and equitable both for its member churches and for those employed by them.

The ability and willingness to compensate a Minister is a sign of a congregation's health, vitality and intention to invest in its ministry and its future. It is an act of faithful stewardship. In addressing and evaluating compensation for ministers, New Castle's Committee on Ministers and Congregations (COMC) will seek consistency as a matter of justice – treating both congregations and ministers fairly. And COMC will see flexibility as a matter of compassion – realizing that not all congregations or ministers are the same, and that exceptions may need to be made for the sake of the health and ministry of one or both parties.

DISCLAIMERS AND EXPLANATION OF TERMS

While tax and employment law are discussed in this document, such discussion is not exhaustive and is not meant to substitute for advice from a competent tax adviser.

In this document:

1. SHALL signifies practice that is mandated.
2. SHOULD signifies practice that is strongly recommended.
3. MAY signifies practice that is permissible but not required.
4. COMPENSATION refers to any and all remuneration for services rendered including but not limited to cash salary, housing, benefits, reimbursements, vacation time and study leave.
5. COLA is Cost of Living Adjustment which is determined annually by the federal government.
6. FICA is the Federal Insurance Contributions Act. It refers to the Social Security tax for an employee half of which is paid by the employer and half by the employee. FICA is not paid on clergy.
7. SECA is the Self-Employment Contributions Act. It refers to the Self-Employment tax paid entirely by self-employed individuals as well as clergy who are considered self-employed for social security purposes.
8. WITHHOLDING refers to income tax deducted by the employer from employee income and paid to the IRS. The amount of withholding is based upon information on the employee's W-4 form.

PRINCIPLES OF COMPENSATION

Any compensation plan should be driven by certain principles or beliefs. What follows are the set of principles which guide this plan. They are taken from the Presbyterian Church U.S.A. Church-wide Compensation Policy Guidelines (200th General Assembly, 1988).

1. Effective, competent staffing... is essential to the fulfillment of its mission, an adequate compensation is necessary to the attainment and maintenance of such staff.
2. The system of compensation should be fair to all, should be compatible with the Presbyterian system of government, and should include mutual consultation between (local churches and Presbytery).
3. Compensation for a position should be based on the nature, purpose, scope and responsibility of the position; the experience, knowledge, and skill required; the challenge of the work to be done and its impact on the effectiveness with which the church achieves its mission.
4. **Compensation should include cash salary and related payments and allowances; participation in the Benefits Plan of the Presbyterian Church U.S.A. which provides retirement, disability, health, survivor and death benefits coverage; paid holidays, leaves, vacation, and continuing education.**
5. A periodic compensation review should be conducted by each employer, and individual terms of compensation for all employees should be available to the membership of the church, the employing governing body, or the church-related organization, and also to the presbytery.
6. **Salary changes should be based on an annual performance review. The level of salaries should be adjusted to recognize changes in living costs, especially as they impact lower paid employees.**
7. **Cost-of-living adjustments should not be confused with increases based on performance.**
8. **Church employees should never be paid salaries at a level below the state or federal minimum wage rate.**

PLEASE NOTE: The Board of Pensions “Board University” provides e-learning opportunities to members of the Benefits Plan of the Presbyterian Church (U.S.A.) — at no additional cost. These modules address a variety of topics that promote wholeness in the four dimensions of well-being: spiritual, health, financial, and vocational. Visit the content library often to check out new offerings. (<http://www.pensions.org/>)

The **Personal Financial Planning** series equips you to create personal financial statements and goals; develop a budget and calculate financial ratios; establish an emergency fund and understand debt-reduction strategies; determine how much to save and invest for goals; understand the importance of FICO ratings and how to improve your scores; and understand different retirement savings vehicles and how to maximize retirement savings.

The Terms of Call series addresses topics such as understanding and determining effective salary; explaining [A Theology of Benefits](#) for medical, retirement, and death and disability coverages; saving for retirement in the Retirement Savings Plan of the PC(USA); understanding the tax rules and qualifying expenses for a clergy housing allowance; learning the advantages of accountable reimbursement plans; explaining the various tax-advantage accounts available; and describing categories to consider when negotiating time away.

CATEGORIES FOR PURPOSES OF COMPENSATION

For the purpose of explaining and evaluating Minister of Word and Sacrament (Teaching Elder) compensation, the COMC will use the following categories:

CALLED AND INSTALLED - This refers to a position filled by a Minister of Word and Sacrament as a result of a vacancy, or the creation of a new position. (See Book of Order, G-2.0504a) It may be Full-time or Part-time, or for a Designated term.

TEMPORARY PASTORAL RELATIONSHIP - This is the type of position typically used when an Interim or Interim Associate Pastor is needed to fill a vacancy or a new position and the Minister is not "Called and Installed." (See Book of Order, G-2.0504b) It may be Full-time or Part-time.

VALIDATED/SPECIALIZED MINISTRIES - These positions refer to those Ministers who are serving in ministry outside the congregation, in positions that are not "Called and Installed". They may serve in chaplaincy, counseling, community organizing, spiritual direction, coaching or other creative ministry as approved by the COMC on behalf of the presbytery. (See Book of Order, G-2.0503a.)

LIMITED PASTORAL SERVICES - This includes a spectrum of services provided on a one-time or ongoing basis, but with neither a formal call nor contract. Examples include, but are not limited to: pulpit supply/worship leadership, moderating a Session or Congregational Meeting, hospital visitation, Bible study, etc.

COMPENSATION

CALLED AND INSTALLED

Pastors are considered to be working in Full-time positions, unless otherwise noted. For pastors in part-time positions, a 40 hour work week will be used as the standard to calculate part-time salary and benefits, consistent with the Board of Pensions guidelines.

All full-time called and installed ministers shall receive the following forms of compensation:

1. **An Effective Salary.** The minister's total effective salary must meet or exceed this presbytery's minimum annual salary of **\$53,181.00 (unchanged for 2021)**.

All ministers continuing in their positions should receive the previous year's salary plus any increase as a result of the Cost of Living (COLA) and any increase based on performance reviews.

2. **Housing:**

- A minister's housing allowance is excludable from gross income for income tax purposes but not for self-employment tax purposes.

- If you receive as part of your salary (for services as a minister) an amount officially designated as a housing allowance, you can exclude from gross income **the lesser** of the following amounts:
 1. The fair rental value of your primary residence, furnished, including appurtenances such as a garage, plus the actual annual cost of utilities
 2. The amount designated in advance by your church or session
 3. The amount you actually spent
- Include any amount of the allowance that you cannot exclude with your wages on line 7 of [Form 1040](#), *U.S. Individual Income Tax Return*.

If your congregation furnishes housing **in kind** (manse) as pay for your services as a minister instead of a housing allowance, you may exclude the value of the housing from income, but you must include the fair market rental value of the housing in net earnings from self-employment for self-employment tax purposes. If your congregation furnishes housing, all utilities are paid or reimbursed by the church. (Value is computed on the Effective Salary Form, Line 7.)

The payments must be used in the year received.

- Include any amount of the allowance that you cannot exclude with your wages on line 7 of [Form 1040](#), *U.S. Individual Income Tax Return*.
 - For more information on a minister's housing allowance, refer to [Publication 517](#), *Social Security and Other Information for Members of the Clergy and Religious Workers*.
3. **A Professional Expense Reimbursement Plan.** The plan shall include automobile expenses and other business and professional expenses with a minimum annual budgeted amount of \$2,000. Reimbursement plans are not considered to be reportable income by the IRS as long as such expenses are reported to the church within 60 days of being reimbursed, and any unused reimbursement is returned to the church within 120 days. Advances can be made to the pastor as much as 30 days prior to the actual expense according to the IRS. Each element of the plan need not be identified separately with dollar amounts. By combining them under one plan, there is flexibility for under spending in one category and overspending in another. Keeping track of reimbursable expenses from year to year will allow church and pastor to determine what amount beyond presbytery minimum is actually needed to annually fund the plan. All such expenses must be substantiated to the church in writing with date, time, place, business purpose and business relationship of every expense claimed, along with the amount of the expense and any receipts. (Line 11 of Effective Salary Form.)

4. **Benefits:**

The 2021 plan offers two benefits packages for PC(USA) ministers: the existing **Pastor's Participation** and the new **Minister's Choice**.

- a) **Enrollment in Pastor's Participation**, a comprehensive benefits package with medical coverage and pension participation, is required for installed pastors and interim pastors and may be offered to any minister with a minimum 20 hour workweek. Dues, paid in full

by the employer, are set at 37 percent of effective salary for 2021, with the addition of the new Temporary Disability Plan.

OR

Minister's Choice, available for non-installed ministers working at least 20 hours a week, includes pension, death and disability, temporary disability, and the Employee Assistance Plan. The cost is 10 percent of effective salary, and is fully employer paid. Minister's Choice also opens the door for eligibility to assistance and education programs that have been available only through Pastor's Participation, such as CREDO and Minister Educational Debt Assistance.

NOTE: Full details on both the Pastor's Participation Plan and the Minister's Choice Plan are to be found on the Board of Pensions web page: www.pensions.org

- b) **Med-Wrap.** New Castle Presbytery has a supplemental self-insurance plan called the Medical Wrap Around Program or Med-Wrap. This program has been affectionately nicknamed, "Get Money Back" and should not be overlooked. This amounts to 2% of effective salary. See the brochure on the presbytery web page for full details: <https://www.ncpresbytery.org/wp-content/uploads/2013/07/MED-WRAP-Brochure-2020.pdf>
5. **Optional benefits**, many offered by the Board of Pensions, may be negotiated between the congregation and pastor. See information on the BOP web page for information on the menu of available options.
6. **Vacation:** A minimum of four weeks paid vacation.
7. **Study Leave:** Two weeks study leave with a budgeted minimum continuing education reimbursement of \$500. Both unused time and money shall be accrued up to three years and set aside by the church in a church account. (Line 10 of Effective Salary Form.)
8. **ADDITIONAL PERSONAL LEAVE:**
- a. **Parental Leave:** Full-time pastors are eligible for leave immediately preceding and following the birth, adoption, or guardianship of a child. Application for, and extent of leave must be submitted through the Session to the COMC at least 3 months prior to the arrival of the child, to the extent that it is possible. The leave may be up to 12 weeks (consecutive or intermittent), the pastor receiving all benefits in their terms of call, including dues paid to and benefits provided by the Board of Pensions. The leave time may be extended by using accrued vacation time. Any additional leave must be negotiated by the pastor and Session in consultation with the COMC. Upon completion of the parental leave, the pastor shall be entitled to return to his/her position.
- b. **Family Leave:** In life-altering circumstances when a family member requires care due to illness or disability, or in the event of the death of a loved one, the pastor is eligible for leave up to 3 weeks per year (consecutive or intermittent), at full pay with no reduction in the dues

paid to and benefits provided by the Board of Pensions. These arrangements (or any additional leave time or modification – e.g., 6 weeks @ 50% pay instead of 3 wks. at full pay) are to be negotiated by the pastor and Session in consultation with COMC. The leave time may be extended by using accrued vacation time. Upon completion of the family leave, the pastor will be entitled to return to his/her position.

Paid Parental/Family Leave is not intended to be a burden but rather a source of joy as congregations/entities encourage pastors to take time for the good of their families. While the individual congregation/entity is responsible for the funding and administration of paid Parental/Family leave, in the spirit of the connectional church, New Castle Presbytery, through the COMC, will seek to assist in whatever ways are necessary to make a full leave available.

All part-time called and installed ministers shall receive:

1. A percentage of the salary, housing and Professional Expense Reimbursement (1, 2, 3 in fulltime compensation listed above) equal to the percentage of service given, e.g., $\frac{3}{4}$ -time clergy shall receive $\frac{3}{4}$ of the salary, housing and professional expense reimbursement package;
2. Benefits outlined in 4, 5, 6, 7 and 8 remain as above.

NOTE: For purposes of calculating percentages, full-time service in NCP is considered to be 40 hours per week.

The Book of Order (G-2.0804) mandates that ministers who serve in Called and Installed PC(USA) positions (whether as pastor, co-pastor, associate pastor, or designated pastor) participate in the Board of Pensions Pastor Participation Plan and receive pension, medical, death, and disability coverage regardless of the number of hours worked.

Reporting Terms of Call:

Each year the terms of call shall be **approved by the congregation by the end of January**, and recorded in the Session Minutes. They must be reported on the EFFECTIVE SALARY FORM and submitted to the Presbytery Stated Clerk, **no later than the second week of February**. Any discrepancies or unresolved compensation issues shall be addressed by the COMC in consultation with the pastor and session involved.

The compensation package will be reported on the NCP “Effective Salary Form” (ESF)

ADDITIONAL INFORMATION

For information on Clergy Taxes, see the Board of Pensions web page:

<https://www.pensions.org/what-we-offer/tax-resources>

1. A W-4 is not required for clergy since they are not subject to federal or FICA withholding. However, a minister can voluntarily request their employing church or agency to withhold for income taxes

and in such cases a W-4 must be completed. A minister cannot request withholding of SECA (self-employment) tax.

2. All clergy are considered to be self-employed for Social Security purposes, and all income including wedding and funeral honoraria as well as housing and utilities are added together minus any unreimbursed employee expenses in determining the SECA tax.
3. Generally speaking, reimbursements and benefits are not subject to either income tax or social security tax.
4. Clergy must make timely quarterly tax payments to the IRS.
5. Worker's Compensation is paid on behalf of clergy.

BOARD OF PENSIONS INFORMATION

Please consult the Board of Pensions website for assistance. Their website is a wealth of information! Go to: <http://www.pensions.org/>

The BOP webpage offers a variety of ways to contact your BOP representatives for in-person help. Go to: <http://www.pensions.org/Contact-Us-Page>

Additional helpful resources available from the BOP include:

UNDERSTANDING EFFECTIVE SALARY in the Presbyterian Church USA

<https://www.pensions.org/file/what-we-offer/benefits-guidance/forms-documents/Documents/pln-103.pdf/>

THE BENEFITS PLAN 2020: <https://www.pensions.org/file/what-we-offer/benefits-guidance/forms-documents/Documents/pln-100.pdf/>

CLERGY **PERFORMANCE AND REVIEW EVALUATION**

It is most helpful to any member of the clergy have a job description and to receive an annual review and evaluation of work done. Such evaluations provide an opportunity for the church or employing agency and clergy to clarify work expectations, set goals and objectives for the coming year, and discuss compensation.

All clergy of New Castle Presbytery shall receive such a review and evaluation from the employing church or agency annually and any compensation adjustments based on merit shall be tied to such evaluations.

Other Forms of Compensation

Because a church or employing agency may desire to further compensate a member of the clergy under their employ beyond presbytery requirements, the following suggestions are offered:

1. Local congregations may add the equivalent of the employer's Social Security contribution to assist with the amount which the Teaching Elder must pay.
2. Dependent Care Benefit (up to the limit set by the IRS).
3. Medical/Dental Benefit (beyond Major medical and wrap-around to cover deductibles and uncovered care such as eyeglasses)
4. Equity Fund (when clergy are living in church-provided housing and do not own their own home, this fund is managed by the church and held for the minister until such time as the minister asks for it. It is then taxable income to the minister.)

See Understanding Effective Salary published by the Board of Pensions PCUSA for further compensation suggestions.

Care must be taken because some forms of additional compensation such as the Dependent Care Benefit and the Medical/Dental benefit must be offered to all church employees if they are offered to one church employee, even if that employee is the minister.

Salary adjustments:

1. Cost of Living Adjustments shall take into account the annual national inflation percentage as published in the October edition of Social Security Changes (<http://www.socialsecurity.gov/cola>); the minimum total effective salary for 2021 in section A.1 above DOES NOT reflect a COLA adjustment.
2. Clergy serving under new terms of call issued between September and December should not expect a compensation increase for the next year.
3. Annual salary adjustments excepting the COLA shall be based upon annual reviews of ministry performed.

TEMPORARY PASTORAL RELATIONSHIPS

Ministers in temporary pastoral positions shall be compensated on the same basis as called and installed positions – fulltime and part time – and shall be enrolled in the Pastor's Participation Program or the Minister's Choice Program through the Board of Pensions. Exceptions to this may be negotiated with the Presbytery's COMC.

Ministers serving in other validated ministry (specialized ministry), and lay employees in eligible church or church-related service, **may also be enrolled for coverage in the Benefits Plan.** The presbytery must validate specialized ministries in order for the ministers who fill them to participate in the plan.

VALIDATED MINISTRIES (aka Specialized Ministries)

Specialized Ministers are not required to be enrolled in the pension plan of the Board of Pensions of the PC(USA). A Specialized Minister who wishes to be so enrolled must be employed at least 20 hours per week and have the Presbytery’s approval of the ministry. This information must be conveyed to the Board of Pensions in writing so that coverage can be obtained. (See E.3001)

A Specialized Minister’s compensation is not subject to approval by the COMC unless the minister is a staff member of a presbytery, a synod, or the General Assembly. Otherwise, a Specialized Minister not so engaged will be considered to be in a validated ministry beyond the jurisdiction of the church (G.2.0503(a)). Either the Specialized Minister or his/her employer may submit to the COMC a request for a portion of compensation as a housing allowance so that this portion may be considered for exclusion from income taxes.

LIMITED PASTORAL SERVICES/SUPPLY PASTORS

This includes a spectrum of services provided on a one-time or ongoing basis, but with neither a formal call nor contract. Examples include, but are not limited to: pulpit supply/worship leadership, moderating a Session or Congregational Meeting, hospital visitation, Bible study, etc. NCP has established a “Fee for Service” schedule which shall apply. These fees are determined and approved by the COMC.

Congregations should discuss ahead of time with the pulpit supply additional compensation for non-traditional technological services, such as recording, editing or online worship.

Per Appendix L of the New Castle Presbytery Manual, the Committee on Ministers & Congregations provides the following schedule of FEES FOR SERVICE FOR 2021.

<i>Preaching and Worship Leadership</i>	<i>\$150 (\$250 if two services)</i>
<i>Worship Participation (Communion or Baptism)</i>	<i>\$75</i>
<i>Special worship services (Weddings, Funerals, etc.)</i>	<i>\$150</i>
<i>Office Hours</i>	<i>\$50/morning or afternoon</i>
<i>Weekly On-Call</i>	<i>\$160</i>
<i>Hospital or Home Visitation</i>	<i>\$25/visit</i>
<i>Bible Study, Confirmation, New Member Classes, Pre-marital Counseling</i>	<i>\$50/per session (up to 90 min)</i>
<i>Committee Meetings</i>	<i>\$50/meeting</i>
<i>Moderate Session or Congregational Meeting</i>	<i>\$50/meeting</i>

As approved by the COMC 09/10/2020

**NEW CASTLE PRESBYTERY
EFFECTIVE SALARY FORM — YEAR 2021**

Church: _____

Minister: _____ **EFFECTIVE DATE:** _____

- Pastor Associate Pastor Designated Pastor/Associate
 Co-Pastor Interim Pastor/Associate CRE/Other _____

Check one: Full time Part time - Hours/week _____ (20 hours minimum/week)

Active church members as of year-end (December 31, 2020) _____

COMPENSATION INCLUDED IN EFFECTIVE SALARY (Please round all numbers to nearest dollar)

1. _____ Annual Cash Salary
2. _____ Housing, Utility, and Furnishings Allowance
3. _____ Deferred Compensation (403(b) plans, tax-sheltered annuities, etc.)
4. _____ Bonuses, un-vouchered allowances, gifts from employer
5. _____ SECA Allowance in excess of 50% of the minister's SECA Obligation
6. _____ Other Allowances/Compensation (e.g. medical deductibles not paid through a group plan, additional insurance, etc.)
7. _____ Manse Amount (if applicable; must be at least 30% of lines 1-6)
8. _____ **TOTAL Effective Salary (TES, Sum of lines 1-7).**
Presbytery minimum for 2021 is **\$53,181.00** (full-time ordained pastors)

Minimum TES and other compensation minimums do not apply to CREs.

BENEFITS (See www.pensions.org for more information)

- a. _____ Board of Pensions (**37% of line 8**) Includes Medical/Death and Disability/Pension
- b. _____ Medical Wrap-around (**2.0% of Line 8**) (New Castle Presbytery Requirement).
9. _____ **TOTAL Benefits (Sum of lines a & b above).**

REIMBURSEMENTS NOT INCLUDED IN EFFECTIVE SALARY

10. _____ Continuing Education (minimum \$500)
11. _____ Travel/Automobile/Business/Professional Expenses (\$2,000 minimum)
12. _____ SECA Contribution - up to 7.65% of total obligation (Social Security/Medicare)
13. _____ Group plan for medical deductible, co-insurance and dental premiums
14. _____ Other vouchered allowances _____
15. _____ **TOTAL Reimbursements (Sum of lines 10-14)**
16. _____ **FINAL TOTAL costs to budget (Sum of lines 8, 9, and 15)**

Vacation: ___ weeks (Min. 4 weeks) Study Leave: ___ weeks (Min. 2 weeks) Other: ___ weeks _____

Minister: _____ Date _____

Clerk of Session: _____ Date: _____

Send to: Email (dscully@ncpresbytery.org), fax (302-366-0714), or mail the form to:
New Castle Presbytery, 1102 W Church Rd, Newark, DE 19711 by **February 15, 2021 or ASAP.**

ADDENDUM – Sabbatical Leave Policy

(As approved in The Manual of New Castle Presbytery, 9/18/2018)

O.1000--DEFINITIONS

“Sabbatical Leave” for Ministers of Word and Sacrament serving as pastors and for church educators is a planned time of intensive enhancement for ministry and mission. Sabbatical Leave follows precedents in the academic community and among a growing number of private sector groups. This “extended time” is qualitatively different from “vacation” or “days off.” It is an opportunity for the individual to disengage strategically from regular and normal tasks so that ministry and mission may be viewed from a new perspective as a result of a planned time focus.

Sabbatical Leave is an extension of the Biblical concept of a Sabbath day and a Sabbath year for renewal. It is both an act of faith that God will sustain us through a period of reflection and changed activity and an occasion for recovery and renewal of vital energies.

Sabbatical Leave is recommended for all full-time pastors and educators who serve churches in New Castle Presbytery (THE PRESBYTERY or the Presbytery) and have been in their current positions for six (6) continuous years. The recommended length of the Sabbatical Leave is three (3) months. Accrued vacation time and study leave may be attached to the Sabbatical Leave. It is further recommended that this Sabbatical Leave be built into the Presbytery’s call process. Upon completion of the Sabbatical Leave, the incumbent pastor/educator normally is expected to continue serving the same congregation for a period of at least four times the length of the Sabbatical Leave. In addition, in multiple staff situations, congregations may limit Sabbatical Leave to one staff person per year.

O.2000--FUNDING

For those on Sabbatical Leave, the employing church will continue the salary, the pension and major medical benefits, the book allowance and, at the discretion of the session, the travel and continuing education allowances at the same level as those in effect at the beginning of the Leave. The employing church will also contract for substitute pastor or educator services during the period of the Sabbatical Leave.

O.3000--ELIGIBLE PROGRAM FUNDING AND REVIEW

To be eligible for a Sabbatical Leave, the pastor or educator shall present, in writing, to the session for its approval, a program (“The Plan”) of activity for the Sabbatical Leave at least six (6) months prior to the proposed beginning of the Sabbatical Leave. This program of activity and meditation shall include a detailed description of “The Plan”, the goals to be achieved and the expected end-product(s), together with a personal statement as to why this Sabbatical Leave would be valuable for both the pastor or educator and the church.

Upon approval by the session, “The Plan” shall be forwarded to the Committee on Ministers and Congregations for its review and recommendation. Included in “The Plan” will be the church’s plan to provide for pastoral or educator services during the period of the Sabbatical Leave.

At the completion of the Sabbatical Leave, the pastor or educator should present to the next regular meeting of the session a written report of her/his activities and findings. This report is to be forwarded to the COMC immediately following the session meeting at which it is presented.

COMPENSATION GUIDELINES FOR LAY EMPLOYEES

The following are guidelines a church might wish to consider in determining fair compensation for non-ordained staff:

1. Employees hired locally should be paid within salary ranges related to the average salaries paid by employers in that location for comparable positions requiring similar skills and experience.
2. As a way of avoiding the problem of ever-increasing salaries for long-term employees, it is recommended that churches establish a graded salary system for each staff position which maintains a salary range with a lowest and highest wage figure. Each salary range would only be adjusted upward by cost-of-living considerations. The salary range for any position should be sufficiently broad to allow for consideration of annual merit increases, but the employee should expect no further increases beyond the highest wage figure for that position.
3. Serious consideration should be given to providing benefits for employees such as paid study leave, health insurance, and 403b plans, etc.
4. In lieu of monetary increases for employees during a tight budgetary year, a church might consider increased non-monetary compensation for good job performance such as extra vacation days, personal days, sick days, or other increased benefits. It should be noted, however, that in most cases such alternative compensation increases will still have financial consequences for the church.
5. Even with a graded salary system, all non-exempt employees are required by law to report hours worked to the church. For any hours worked beyond forty hours per week, the church is required by law to pay time and a half. Compensatory time will not substitute for this legal requirement.
6. Make sure W-4 forms are filed on every non-ordained staff member and withholding records are maintained.
7. Make sure FICA, Medicare, and Worker's Compensation are budgeted items.
8. The Immigration Reform and Control Act of 1986 requires that an I-9 (Immigration Status Form) be kept on file for each employee hired after 1986 for three years. There are fines for failure to abide by this law. Forms can be obtained from local INS offices.
9. Provide W-2 forms annually by January 31 for all employees who earn \$100.00 or more.
10. Provide 1099 Misc forms annually by Jan. 31 for all independent contractors who are paid \$600.00 or more.